

IRS ISSUES SPRING STATISTICS OF INCOME BULLETIN

WASHINGTON -- According to the first statistics covering all of Tax Year 1997, the Internal Revenue Service reports that adjusted gross income (AGI) shown on the nation's 122.5 million individual income tax returns for that year increased 9 percent over 1996 to a record \$4,973.6 billion. Standard deductions totaled \$443.4 billion, while itemized deductions totaled \$606.5 billion. Taxable income, the base on which tax was computed, increased to \$3,432.6 billion. As a result, income tax also increased, by 11 percent, to \$732.6 billion. These data are included in the Spring 1999 issue of the quarterly *Statistics of Income Bulletin*, just published.

A second article reports that of the 120.4 million individual income tax returns filed for 1996, more than 75 percent showed an income tax liability. The average tax rate on these returns was 15.2 percent of AGI. This was 0.5 percentage points more than for 1995, and was the highest since 1982. For 1996, for the first time, the top 5 percent of taxpayers reported more than 30 percent of total AGI and more than 51 percent of total income tax. The top one percent, alone, reported 16 percent of the income and 32 percent of the tax. To be included among the top five percent for 1996, a tax return had show an AGI of at least \$101,141.

Another article shows that for 1996, S Corporations comprised almost half of all corporation income tax returns, compared to 24 percent for 1986. S Corporations are generally small qualifying corporations electing to be taxed through shareholders. These corporations reported net income (less deficit) of \$125.2 billion, up 26 percent over 1995, although this was only 18 percent of the profits reported by all corporations for 1996.

Still another article notes that for 1995, about three percent of all tax-exempt organizations engaged in non-mission-related business activities. They generated \$6.3 billion of gross unrelated business income. Of these 36,400 organizations, about half reported a taxable profit totaling \$0.9 billion. The remainder reported a net loss totaling \$1.9 billion. The income tax reported by those reporting a profit amounted to \$277.5 million after adjustments and credits.

A final article provides historical statistics for 1985 on capital gain or loss transactions reported on individual income tax returns. Capital gains more than doubled between 1981, the previous year for which in-depth statistics were compiled,

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and 1985. There were increases reported for almost all types of assets sold. Sales of corporate stock (except through mutual funds) continued to be the largest source of capital gains and losses, accounting for 38 percent of the gains and 45 percent of the losses. Other major sources of gains included those from residential real estate sales (except principal residences) and from partnerships, S Corporations, and estates and trusts, taken together. Gains from sales of a principal residence accounted for only 2 percent of total capital gains subject to tax, but only because most of the total gains were not taxed. There were 32 million long-term capital gain or loss transactions during 1985, and another 12 million that were short-term. Twenty-nine percent of long-term capital gains on stock sales was reported by taxpayers with an AGI of \$1 million or more. Total long-term gains on stock sales increased from \$31.0 billion for 1981 to \$71.1 billion for 1985.

The Spring issue also presents the annual individual income tax return statistics by State, this time for returns filed for Tax Year 1997. California, New York, and Texas continued to dominate the geographic statistics: California was clearly the leader, with 13.8 million returns, \$603.1 billion in AGI, and \$91.2 billion in income tax, followed by Texas with 8.5 million returns, \$322.6 billion in income, and \$50.3 billion in tax, and New York with 8.1 million returns, but \$376.0 billion in income, and \$61.4 billion in tax. The earned income credit allowed certain low-income individuals was claimed on 2.4 million returns from California, 1.9 million from Texas, and 1.3 million from New York. Together, these three States accounted for 24 percent of the returns, 26 percent of the AGI, 28 percent of the individual income tax, and 29 percent of the earned income credit.

Additional historical statistics include quarterly data on tax collections and refunds for Fiscal Year 1987 through the first quarter of Fiscal Year 1999. Data on excise taxes by type cover Fiscal Years 1993 through all four quarters of 1998. Income, deduction, and tax data are also presented for returns filed by individuals, corporations, and unincorporated businesses.

The *Statistics of Income Bulletin* is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription is \$30 (\$37.50 foreign); single issues cost \$19 (\$23.75 foreign). For other data, write the Director, Statistics of Income (SOI) Division OP:RS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608; check the World Wide Web at www.irs.ustreas.gov; or telephone the SOI statistical information services office at (202) 874-0410 (by e-mail, sis@soi.irs.gov; by fax (202) 874-0964).

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Editor's note: See attached *Statistics of Income Bulletin* order form.